United Nations A/53/645

General Assembly

Distr.: General
6 November 1998

Original: English

Fifty-third session
Agenda item 112
United Nations reform: measures and proposals

Revolving Credit Fund

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General on the Revolving Credit Fund (A/52/822). During its consideration of the report, the Advisory Committee met with the Under-Secretary-General for Management, who introduced the report and provided additional information and clarification on it.

2. As indicated in paragraph 1 of the report, the United Nations has experienced recurrent financial crises due to a large and growing volume of arrears of payments, notwithstanding the legal obligation of Member States to pay their assessed contributions in full, on time and without conditions. The Secretary-General points out that only a real commitment by Member States to meet their obligations fully will overcome the financial problems of the Organization.

3. As an immediate practical measure to complement the ongoing search for a more fundamental solution to the financial problems of the United Nations, the Secretary-General proposes, in paragraph 2 of his report, that Member States establish a Revolving Credit Fund, initially capitalized at a level of up to $1 billion through voluntary contributions or any other means of financing that Member States may wish to suggest.

4. The report of the Secretary-General contains details on the Secretary-General's proposal of the Revolving Credit Fund and spells out some of the practical aspects of its implementation. As indicated in paragraph 4 of the report, the establishment of the Revolving Credit Fund would constitute a major addition to the financial arrangements set out in the Financial Regulations and Rules of the United Nations.

5. The Advisory Committee points out that a number of issues pertaining to the functioning of the Revolving Credit Fund still remain unclear. For example, the report does not specify why the Fund should initially be capitalized at a level of up to $1 billion, given the fact that, according to paragraph 2 of the report of the Secretary-General on improving the financial situation of the United Nations (A/53/514), total unpaid assessments at 30 September 1998 amounted to over $2.5 billion, nor does it indicate the time when the Fund could be realistically expected to provide a sufficient source of cash reserve. Moreover, it is not clear what options the Secretary-General will have if Member States fail to respond to his notification or do not indicate the future date of payment of unpaid assessments. The Committee points out that, according to the Secretary-General, such notification will allow him to pledge it as security for borrowing at such time as he considers necessary from the Revolving Credit Fund (A/52/822, para. 2). Furthermore, the Committee questions the linkage between the treatment of retained surpluses and the Revolving Credit Fund.

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6. The Advisory Committee is also concerned that, on the one hand, the proposed establishment of the Revolving Credit Fund may put additional burden on those Member States that already fully meet their financial obligations and, on the other hand, it may not induce delinquent Member States to pay their contributions in full and on time, nor will it induce them to provide voluntary contributions to the Fund.

7. The Advisory Committee points out that the financial crisis of the United Nations results from the lack of political will of some Member States to pay their assessed contributions in full, on time and without conditions. This is a political rather than a financial problem and, as such, it cannot be successfully resolved by technical means. Moreover, the creation of the Revolving Credit Fund may dilute the attention of Member States towards finding an effective political solution to the financial crisis of the Organization.

8. In view of the comments and observations above, the Advisory Committee will refrain from commenting on the operations and procedures of the Revolving Credit Fund until such time as the General Assembly pronounces itself on the principles involved.